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Message Text

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INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
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O R 231648Z JUN 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 3783
INFO ALL OECD CAPITALS
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E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: COMMON FUND (CF): MEETING OF OECD AD HOC GROUP JUNE 21-22

1. SUMMARY: AT JUNE 21-22 MEETING, AD HOC GROUP UNDER U.S. CHAIRMANSHIP (WENDT) CONTINUED ITS DISCUSSIONS OF MANAGEMENT AND VOTING ISSUES. BROAD LINES OF DECISION MAKING MECHANISM SUITABLE FOR GROUP B CF PROPOSAL ALONG LINES OUTLINED BY U.S. DEL ARE NOW VISIBLE, WITH MOST DELS LEANING IN DIRECTION OF BICAMERAL SYSTEM REQUIRING MAJORITIES OF BOTH PRODUCERS AND CONSUMERS
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(I.E. DISTRIBUTED MAJORITIES). ON OTHER MEASURES (OMS) U.S. ELABORATION OF ITS PROPOSAL TO GIVE CF A NON-FINANCIAL ROLE IN SPONSORING A CONSULTATIVE GROUP TO ASSIST IN MOBILIZING RESOURCES FROM OTHER SOURCES FOR R & D AND MARKET PROMOTION PROJECTS -- INCLUDING A SUGGESTED ROLE FOR UNDP -- GOT COOL RECEPTION FROM OTHER DELS, INCLUDING UK, JAPAN, AND CANADA. SWEDISH

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CONCEPT OF SECOND WINDOW CONCENTRATING ON FINANCING PROJECT PREPARATION AND FEASIBILITY STUDIES (BUT ALLOWING FUNDING OF OMS THEMSELVES IN EXCEPTIONAL CIRCUMSTANCES) OUT OF SPECIAL CONTRIBUTIONS TO UNDP CONTINUED TO EVOKE WIDESPREAD INTEREST. AUSTRALIANS PRESENTED POORLY THOUGHT-OUT AND OPEN-ENDED SCHEME WHICH WAS HEAVILY CRITICIZED. TONE OF MEETING WAS POSITIVE, BUT IT SEEMS CLEAR THAT OTHER DELS, WHILE AGREEING WITH LOGIC AND ANALYSIS OF U.S. PROPOSAL AND PRESENTATION ON ADEQUACY OF SUPPORT FOR OTHER MEASURES BY EXISTING IFIS, ARE UNWILLING FOR POLITICAL REASONS TO ADOPT ITS CONCLUSIONS. REPORT OF HIGH LEVEL GROUP MEETING JUNE 23 FOLLOWS IN SEPTEL. NEXT MEETING OF AD HOC GROUP IS TENTATIVELY SCHEDULED FOR JULY 20-21. END SUMMARY

2. MANAGEMENT AND VOTING. U.S. SPOKESMAN (BENTON) PRESENTED CURRENT THINKING ON CF DECISION MAKING STRUCTURE APPROPRIATE FOR GROUP B PROPOSAL, WHICH, STARTING FROM BASIS OF CF MEMBERSHIP CONSISTING OF STATES MEMBERS OF ICAS, HAS TWO OPTIONS:
(A) PLENARY BODY WITH SEPARATE PRODUCER/CONSUMER CHAMBERS AND DISTRIBUTED MAJORITY VOTING, PLUS TEN MEMBER EXECUTIVE BOARD ELECTED (EQUALLY) BY CHAMBERS OF PLENARY; OR
(B) UNITARY PLENARY WITH QUALIFIED MAJORITY VOTING
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AND EXECUTIVE BOARD CONSISTING OF ONE PRODUCER GOVERNMENT AND ONE CONSUMER GOVERNMENT ELECTED BY MEMBERSHIP OF EACH PARTICIPATING ICA. U.S. ALSO GAVE ILLUSTRATIVE LISTS OF DECISIONS TO BE TAKEN BY PLENARY AND EXECUTIVE BOARD AND PROMISED WRITTEN VERSION OF THESE IDEAS FOR NEXT MEETING OF GROUP.

3. COMMENTS BY OTHER DELS SHOWED STRONG INTEREST IN U.S. IDEAS. OTHER THAN FRG, HOWEVER, OTHERS DOUBTED THAT ANYTHING LESS THAN UNIVERSAL MEMBERSHIP WAS FEASIBLE POLITICALLY. MANY MENTIONED DESIRABILITY THAT CF OPERATIONS BE HIGHLY AUTOMATIC AND REQUIRE MINIMUM OF DECISIONS AND VOTING. SEVERAL THOUGHT TEN MEMBER EXECUTIVE BOARD WAS TOO SMALL TO BE POLITICALLY REPRESENTATIVE. SWEDEN, JAPAN, AUSTRALIA, CANADA EXPRESSED PREFERENCE FOR UNITARY RATHER THAN CHAMBERED VOTING, WITH CANADA CLAIMING CHAMBERED SYSTEMS DILUTED VOTES OF DC PRODUCERS. BELGIANS EXPRESSED DOUBTS ABOUT FEASIBILITY OF EXECUTIVE BOARD SELECTED

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THROUGH ICAS. FRENCH SUGGESTED GROUP RECOGNIZE SECOND WINDOW WAS INEVITABLE AND THAT BEST STRUCTURE WOULD BE UNIVERSAL MEMBERSHIP WITH CLEARLY DISTINCT VOTING ARRANGEMENTS FOR TWO WINDOWS. CONSENSUS OF GROUP WAS THAT IT WOULD BE DIFFICULT TO TAKE DISCUSSION OF SUB-JECT MUCH FURTHER WITHOUT BETTER IDEA OF HOW CF WOULD LOOK, BUT THAT IT WAS TIME TO PUT BASIC IDEAS AND PRINCIPLES, ON WHICH THERE APPEARED TO BE BROAD CONSENSUS, DOWN ON PAPER SO THAT GROUP WOULD BE IN POSITION EVENTUALLY TO DISCUSS ISSUE WITH G-77.

4. OTHER MEASURES (OMS): U.S. PRESENTED REVISED DATA ON INVOLVEMENT OF IFIS IN FINANCING OTHER MEASURES AND ELABORATED U.S. CONCEPT OF CF ROLE. U.S. DEL SUGGESTED CF HELP MOBILIZE FINANCIAL SUPPORT FOR COMMODITY RELATED ACTIVITIES, WITHOUT ITSELF SERVING AS A SOURCE
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OF FINANCE. HE CITED CGIAR (CONSULTATIVE GROUP ON INTERNATIONAL AGRICULTURAL RESEARCH) AS A MODEL, AND NOTED CF COULD CHAIR A CONSULTATIVE GROUP THAT WOULD CHANNEL RESOURCES FROM OTHER SOURCES INCLUDING INTERNATIONAL INSTITUTIONS, GOVERNMENTS AND PRIVATE FOUNDATIONS INTO R & D AND MARKET PROMOTION PROJECTS. UNDP COULD PLAY A SUPPORTIVE ROLE IN SUCH A GROUP THROUGH A SPECIAL UNDP TRUST FUND WITH INCREMENTAL RESOURCES, FOR SUPPORT OF OTHER MEASURES.

5. OTHER DELS PRAISED LOGIC OF U.S. PRESENTATION BUT DID NOT BELIEVE IT WAS SUFFICIENT POLITICALLY. U.S. APPROACH WAS CHARACTERIZED AS "UNFRUITFUL," "INSUFFICIENT," AND "UNLIKELY TO CARRY THE DAY," BY UK, JAPAN, AND CANADA RESPECTIVELY. THESE DELS NOTED THAT THERE WOULD BE NO CF WITHOUT A SECOND WINDOW AND EXPRESSED INTEREST IN SWEDISH IDEAS (SEE BELOW). GERMANS FAILED TO INTERVENE. FRENCH, AFTER AGREEING CF WOULD HAVE TO HAVE SECOND WINDOW, NOTED GOF HAD NO INTENTION OF CONTRIBUTING TO IT, AND GAVE GENERAL SUPPORT TO U.S. IDEA, EXPRESSING ONLY MILD DOUBTS ABOUT ITS ACCEPTABILITY TO THE 77. FRENCH DEL SUGGESTED TWO CRITERIA FOR LIMITING SECOND WINDOW OPERATIONS: PROJECTS MUST BE APPROVED BY AN ICA, AND MUST NOT BENEFIT A PARTICULAR COUNTRY (AS OPPOSED TO A COMMODITY MARKET IN GENERAL). AFTER HEARING COMMENTS, U.S. DEL NOTED THAT, RATHER THAN SIMPLY TRY TO MEET G-77 POLITICAL DEMANDS, GROUP B NEEDED CONCRETE, ECONOMICALLY RATIONAL PROPOSAL WHICH COULD BE DEFENDED BEFORE LEGISLATURES, AND THAT USG COULD NOT SUPPORT WASTEFUL CF DUPLICATION OF EXISTING DEVELOPMENT INSTITUTIONS WITHOUT DAMAGING ITS CREDIBILITY IN ENTIRE AID FIELD.

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6. SWEDES MADE ORAL ELABORATION OF IDEAS PRESENTED AT LAST MEETING ALONG FOLLOWING LINES: SECOND WINDOW SHOULD BE INTEGRAL BUT SEPARATE PART OF CF, WITH A COORDINATING ROLE ON OTHER MEASURES, OFFERING POLICY ADVICE TO OTHER BODIES AND GOVERNMENTS; FINANCIAL ROLE SHOULD BE CONCENTRATED ON PROJECT PREPARATION AND FEASIBILITY STUDIES, WITH UNDP THE MAIN EXECUTING AGENCY

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AND CONTRIBUTIONS BEING MADE TO A SPECIAL UNDP ACCOUNT; ON AN EXCEPTIONAL BASIS, WHEN OTHER INSTITUTIONS COULD NOT PROVIDE FUNDS FOR STATUTORY REASONS, SECOND WINDOW COULD FINANCE PROJECTS DIRECTLY; PROJECTS SHOULD AIM TO BENEFIT MAINLY POORER LDC'S. MANY DELS EXPRESSED INTEREST IN SWEDISH IDEAS AND ASKED FOR WRITTEN VERSION, WHICH SWEDES PROMISED TO PROVIDE. SEVERAL POINTED TO DESIRABILITY OF GREATER CLARIFICATION OF THE UNDP LINK AND THE CONCEPT OF "EXCEPTIONAL DIRECT FINANCING" OF OMS. EC COMMISSION REP SUGGESTED SECOND WINDOW BE LINKED WITH WIDE RANGE OF INSTITUTIONS (NOT JUST THE UNDP) AND THAT FOCUS ON POORER LDC'S COULD BE ACHIEVED BY FOCUSING ON CERTAIN COMMODITIES.

7. AUSTRALIANS PRESENTED NEW PAPER SUPPLEMENTING THAT PRODUCED FOR LAST MEETING, WHICH, DESPITE LONG LIST
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OF CRITERIA PROPOSED TO LIMIT KINDS OF OMS ELIGIBLE FOR FINANCE FROM SECOND WINDOW, APPEARED TO SANCTION SPENDING FOR NATIONAL STOCKS AND ALL SORTS OF INFRA-STRUCTURE PROJECTS, WITH AVAILABILITY OF FUNDS PROVIDING THE ONLY LIMIT. EXCEPT FOR SWEDEN AND NORWAY,

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AUSTRALIAN PAPER WAS CRITICIZED HEAVILY BY PRACTICALLY
ALL DELS WHO SPOKE AS BEING OPEN ENDED AND HIGHLY
EXPENSIVE.

8. REPORT TO HLGC AND NEXT MEETING: CHAIRMAN WILL
GIVE ORAL REPORT TO HLGC JUNE 23, OUTLINING
MAIN POINTS OF AGREEMENT ON MANAGEMENT AND VOTING AND
GIVING INDICATION OF RANGE OF VIEWS ON OTHER MEASURES.
NEXT MEETING OF GROUP WAS TENTATIVELY SCHEDULED FOR
JULY 20-21.
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